

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE
AUDIT OFFICE

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COUNTY OF EL DORADO
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE
PIERCE'S DISEASE CONTROL CONTRACT

AUDIT REPORT #08-068

FOR THE FISCAL PERIOD
JULY 1, 2004 THROUGH JUNE 30, 2007

COUNTY OF EL DORADO
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE
PIERCE'S DISEASE CONTROL CONTRACT

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JULY 1, 2004 THROUGH JUNE 30, 2007

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AUDIT REPORT NUMBER
08-068

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. William Stephans
Agricultural Commissioner Director of Weights and Measures
County of El Dorado
311 Fair Lane
Placerville, CA 95667

INDEPENDENT AUDITOR'S REPORT

The California Department of Food and Agriculture's (CDFA), Pierce's Disease Control Program (PDCP) requested the CDFA Audit Office to perform a contract compliance audit of three contracts with the County of El Dorado (County), County Agricultural Commissioner's Office (CAC). In our audit for the PDCP, we audited contract numbers 04-0387, 05-0488, and 06-0484 for the 2004/05, 2005/06, and 2006/07 fiscal years.

The objectives of the audit were to ensure the CAC complies with the terms and conditions of the contract. We verified the accuracy of the service invoices billed under the contract; identified the basis for discrepancies between the actual charges and billed charges; and provided information to improve the terms and conditions of the contract.

We conducted our audit in accordance with generally accepted government auditing standards for fiscal compliance as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the billings are supported by the accounting records and are submitted in compliance with the appropriate state and federal requirements and guidelines. An audit includes examining, on a test basis, evidence supporting the amounts included on the billings. An audit also includes assessing the accounting principles used and significant estimates made by management. We limited our test of internal controls and certain general ledger accounts due to our reliance on the unqualified audit report issued by the Independent Auditors.

During our audit of the CAC's compliance with state and federal laws and regulations, we identified two areas with reportable conditions that are considered weaknesses in the CAC's effort to comply. We have provided three recommendations to improve the compliance of the County. The County must respond in writing to these findings and recommendations.

For Ron Shackelford, CPA
Chief, Audit Office

February 1, 2008



CONCLUSION

Although actual rates were not used for personnel expenses and some expenses lacked supporting documentation, we recommend that PDCP accept the charges as billed by the County during fiscal year 2004/2005 for contract #04-0387, fiscal year 2005/2006 for contract #05-0488, and fiscal year 2006/2007 for contract #06-0484 since the total annual expense for the services provided exceeded the contract amounts for all three years. On a going forward basis, the County should use actual salaries earned when calculating the productive hourly rate as the billing rate to be in accordance with the requirements of the contract and Title 2 of the Code of Federal Regulations Part 225, Cost Principles for State, Local, and Indian Tribe Governments (2 CFR 225), or risk the possibility of a portion of these costs being disallowed.

AUDIT OF PIERCE'S DISEASE CONTROL CONTRACT

REPORTABLE CONDITIONS

EMPLOYEE PAY RATES

A review of the payroll records, billing records, and budget reports identified the CAC did not use actual personal salaries when determining the billing rate for permanent and temporary employees. According to Title 2 in the Code of Federal Regulations Part 225, "Cost Principles for State and Local Governments", (2 CFR 225), charges to Federal awards for salaries and wages will be based on payrolls documented in accordance with the generally accepted practice of the governmental unit. Additionally, budget estimates or other distribution percentages determined before the services were performed do not qualify as support for charges to Federal awards. We noted the billing rates for permanent employees were based on an average productive hourly rate by job classification. Budgeted salaries were used when determining the productive hourly rate to bill for each job classification. Although the CAC is allowed to use an average productive hourly rate as the billing rate, actual salaries must be used in the calculation. Furthermore, we noted two different methods were used during our audit period for temporary employees' billing rate and neither used actual pay rates. To determine these billing rates, the maximum hourly rate for the job classification was used or other benefits were included in the calculation for the billing rate. The use of these rates caused the CAC to invoice the PDCP for costs greater than the amount it actually incurred. Since the total annual expense for the services provided exceeded the contract amount for all three years, we recommend PDCP to accept the charges billed. However, on a going forward basis, the CAC should comply with 2 CFR 225 regarding billing rates.

Recommendations

- 1. The CAC should comply with 2 CFR 225 by ensuring the productive hourly rates billed to the PDCP reflect the actual salaries paid to employees rather than a budgeted amount for its permanent employees.*
- 2. The CAC should comply with 2 CFR 225 by ensuring the hourly rate billed to the PDCP reflects the employee's actual hourly rate rather than the job classification's maximum hourly rate or include other benefits in the calculation for its temporary employees.*

LACK OF SUPPORTING DOCUMENTATION

For the 2004/05 and 2005/06 fiscal years, the CAC invoiced an annual total of \$3,480 for general office and field supplies. These expenses were invoiced on a monthly basis at a rate of \$290. However, no supporting documentation, such as invoices or receipts, was provided to substantiate these charges. 2 CFR 225 indicates that the cost be adequately documented

and the cost is ordinary and necessary for the performance of the contract. Without the supporting documents, we are unable to determine whether the items or services billed to PDCP supported the performance of the contracts. As noted above, the CAC's total annual expense for services provided exceeded the contract amount for all three years; therefore, even if the costs invoiced were disallowed, the CAC had incurred expenses that were greater than the contract maximum. However, on a going forward basis, the CAC should comply with 2 CFR 225 regarding adequately supporting the costs submitted for reimbursement.

Recommendation

3. *The CAC should comply with 2 CFR 225 and ensure that all costs submitted for reimbursements are adequately supported with detailed accounting records. This will mitigate the possibility of the State disallowing and claimed costs by the CAC in the future.*

COUNTY AGRICULTURAL COMMISSIONER'S RESPONSE



The County of El Dorado

Agriculture, Weights & Measures

311 Fair Lane
Placerville, CA 95667-4197

WILLIAM J. STEPHANS
Agricultural Commissioner
Sealer of Weights & Measures

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April 16, 2008

Ron Shackelford, CPA
State of California
Department of Food and Agriculture
1220 N Street, Room 344
Sacramento, CA 95814

Dear Mr. Shackelford:

The El Dorado County Department of Agriculture has completed plans for implementing each recommendation from your findings for the Pierce's Disease Control Contract Audit Report #08-068.

Reportable Condition Employee Pay Rates:

A review of the payroll records, billing records, and budget reports identified the CAC did not use actual personal salaries when determining the billing rate for permanent and temporary employees. According to Title 2 in the Code of Federal Regulations Part 225, "Cost Principles for State and Local Governments", (2 CFR 225), charges to Federal awards for salaries and wages will be based on payrolls documented in accordance with the generally accepted practice of the governmental unit. Additionally, budget estimates or other distribution percentages determined before the services were performed do not qualify as support for charges to Federal awards. We noted the billing rates for permanent employees were based on an average productive hourly rate by job classification. Budgeted salaries were used when determining the productive hourly rate to bill for each job classification. Although the CAC is allowed to use an average productive hourly rate as the billing rate, actual salaries must be used in the calculation. Furthermore, we noted two different methods were used during our audit period for temporary employees' billing rate and neither used actual pay rates. To determine these billing rates, the maximum hourly rate for the job classification was used or other benefits were included in the calculation for the billing rate. The use of these rates caused the CAC to invoice the PDCP for costs greater than the amount it actually incurred. Since the total annual expense for the services provided exceeded the contract amount for all three years, we recommend PDCP to accept the charges billed. However, on a going forward basis, the CAC should comply with 2 CFR 225 regarding billing rates.

Recommendation 1:

The CAC should comply with 2 CFR 225 by ensuring the productive hourly rates billed to the PDCP reflect the actual salaries paid to employees rather than a budgeted amount for its permanent employees.

Response to Recommendation 1:

I have directed staff to utilize Title 2 in the Code of Federal Regulations Part 225, Cost Principles for State and Local Governments, for Federal awards for salaries and wages. I have also requested that all procedures in the State Administrative Manual (SAM) from the Department of General Services be used as a reference for all costs associated with department contracts. Beginning immediately, the county will use actual productivity rates as specified by the El Dorado County Board of Supervisors and use actual salaries earned by each permanent Agricultural Biologist staff member.

Recommendation 2:

The CAC should comply with 2 CFR 225 by ensuring the hourly rate billed to the PDCP reflects the employee's actual hourly rate rather than the job classification's maximum hourly rate or include other benefits in the calculation for its temporary employees.

Response to Recommendation 2:

I have directed staff to utilize Title 2 in the Code of Federal Regulations Part 225, Cost Principles for State and Local Governments, for Federal awards for salaries and wages. I have also requested that all procedures in the State Administrative Manual (SAM) from the Department of General Services be used as a reference for all costs associated with department contracts. Beginning immediately, the county will use actual productivity rates as specified by the El Dorado County Board of Supervisors and use actual salaries earned by each temporary Agricultural Biology Technician staff member.

Reportable Condition
Lack of Supporting Documentation

For the 2004/05 and 2005/06 fiscal years, the CAC invoiced an annual total of \$3,480 for general office and field supplies. These expenses were invoiced on a monthly basis at a rate of \$290. However, no supporting documentation, such as invoices or receipts, was provided to substantiate these charges. 2 CFR 225 indicates that the cost be adequately documented and the cost is ordinary and necessary for the performance of the contract. Without the supporting documents, we are unable to determine whether the items or services billed to PDCP supported the performance of the contracts. As noted above, the CAC's total annual expense for services provided exceeded the contract amount for all three years; therefore, even if the costs invoiced were disallowed, the CAC had incurred expenses that were greater than the contract maximum. However, on a going forward basis, the CAC should comply with 2 CFR 225 regarding adequately supporting the costs submitted for reimbursement.

Recommendation 3:

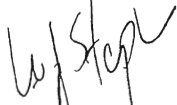
The CAC should comply with 2 CFR 225 and ensure that all costs submitted for reimbursements are adequately supported with detailed accounting records. This will mitigate the possibility of the State disallowing any claimed costs by the CAC in the future.

Response to Recommendation 3:

I have directed staff to comply with 2 CFR 225 and ensure that all charges for costs can be identified directly to a program and/or funding source (direct costs). Effective July 1, 2006, all specific costs were supported by detailed accounting records. (The submittal of costs for reimbursement lacking detailed records was discontinued after the appropriate staff attended training for federal contracts management on August 29, 2006 in Solano County. This training was conducted by California Department of Food and Agriculture staff).

Please call me at (530) 621-5520 if you have any questions regarding my responses to your recommendations. I look forward to receiving your final audit report.

Sincerely,



WILLIAM J. STEPHANS
Agricultural Commissioner
Sealer of Weights and Measures

CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the County of El Dorado County Agricultural Commissioner, Placerville, California, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this audit report are based on fieldwork that my staff performed between January 28, 2008 and February 1, 2008. My staff met with management on February 1, 2008 to discuss the findings and recommendations.

This audit report is intended solely for the information of the California Department of Food and Agriculture and the County Agricultural Commissioner. However, once finalized this report is a matter of public record and its distribution is not limited.

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	Agricultural Commissioner
2	State Coordinator, Pierce's Disease Control Program
1	Liaison, County/State Relations
1	Chief Counsel, CDFA Legal Office
1	Chief, Audit Office